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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/844,198	04/27/2001	Nicco Willis	10060.0100	2147
39602	7590	02/07/2007	EXAMINER	
NOBLITT & GILMORE, LLC. 4800 NORTH SCOTTSDALE ROAD SUITE 6000 SCOTTSDALE, AZ 85251			GREIMEL, JOCELYN	
			ART UNIT	PAPER NUMBER
			3693	
SHORTENED STATUTORY PERIOD OF RESPONSE		MAIL DATE	DELIVERY MODE	
3 MONTHS		02/07/2007	PAPER	

Please find below and/or attached an Office communication concerning this application or proceeding.

If NO period for reply is specified above, the maximum statutory period will apply and will expire 6 MONTHS from the mailing date of this communication.

<b>Office Action Summary</b>	Application No.	Applicant(s)	
	09/844,198	WILLIS ET AL.	
	Examiner	Art Unit	
	Jocelyn Greimel	3693	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

#### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

#### Status

- 1) Responsive to communication(s) filed on 20 November 2006.
- 2a) This action is FINAL.                            2b) This action is non-final.
- 3) Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

#### Disposition of Claims

- 4) Claim(s) 1-40 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) Claim(s) \_\_\_\_\_ is/are allowed.
- 6) Claim(s) 1-40 is/are rejected.
- 7) Claim(s) \_\_\_\_\_ is/are objected to.
- 8) Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

#### Application Papers

- 9) The specification is objected to by the Examiner.
- 10) The drawing(s) filed on \_\_\_\_\_ is/are: a) accepted or b) objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

#### Priority under 35 U.S.C. § 119

- 12) Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) All    b) Some \* c) None of:
  1. Certified copies of the priority documents have been received.
  2. Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  3. Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

#### Attachment(s)

1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892)	4) <input type="checkbox"/> Interview Summary (PTO-413)
2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948)	Paper No(s)/Mail Date. _____
3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08)	5) <input type="checkbox"/> Notice of Informal Patent Application
Paper No(s)/Mail Date _____	6) <input type="checkbox"/> Other: _____

**DETAILED ACTION**

1. This second Non-final Rejection is in response to Applicant's Amendments and Remarks filed on 20 November 2006. The Examiner acknowledges the remarks submitted 20 November 2006 and the content of the interview conducted 13 October 2006. Claims 1-40 are currently pending. Claims 1, 30, 39 and 40 are independent claims.

*Response to Amendment*

1. Applicant's arguments regarding:

- (1) "retrieving such a list of capital events... that includes at least one of a 'distribution reinvestment, a spin-off even, a merger event and a split event ';
- (2) "a shares held adjustment ratio and... the use of a shares held adjustment ratio in calculating a cost basis"
- (3) "applying multiple shares held adjustment ratios to alter the cost basis of a security"

of independent claim 1 and related claims 30, 39 and 40 have been considered but are moot in view of the new grounds of rejection.

***Claim Rejections - 35 USC § 103***

2. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

3. The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

4. **Claims 1-40 are rejected under 35 U.S.C. 103(a) as being unpatentable over Brown et al (US Patent No. 7,031,937 B2, hereinafter Brown), in view of IRS Publication 564 Mutual Fund Distributions (Department of the Treasury, Internal Revenue Service, hereinafter Mutual Fund) and further in view of Taming Your Trading Taxes (Business Week Online, <http://www.businessweek.com/magazine>, April 2001, hereinafter Business Week).** In reference to claims 1, 30, 39 and 40, Brown discloses a method, system, apparatus

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and means for determining a cost basis, specifically discussing securities (col. 2, line 49+). Brown is a computerized investment management system. Brown teaches using the computer system to determine the "cost basis of each of the securities in each account." In reference to claims 1, 30, 39 and 40, Brown discloses:

- a. entering, into a computer system, information identifying an issuer associated with the security, a purchase date of the security, and a number of shares of the security purchased on the purchase date (col. 5, line 18+; col. 6, line 1+; col. 7, line 18+);
- b. determining a purchase price per share of the security on the purchase date (col. 5, line 18+; col. 6, line 1+; col. 7, line 18+).

5. Brown then discloses:

*"Upon establishment of each portfolio, account data for each account is maintained, typically with two basic types of information: the number of shares of each security in each account, which is stored as account securities data, and the cost basis or then present value of each individual security in each account, which is stored as tax lot data. The information stored for each security in the tax lot data may be referred to as 'stored historical cost value,' which will be used as a reference point for comparison to the present value of each of the securities in each portfolio during the tax loss harvest process, which will be discussed below. This value generally is the cost basis of each of the securities in each account."*

*"Present market value information is preferably provided by electronically downloading data from a financial service provider, although market information could be obtained from*

*any of a number of sources known to those skilled in the art via the Internet, entered manually, or obtained in other ways known to those skilled in the art."*

6. In reference to dependent claims 2-29 and 31-38, Brown discloses a methods wherein: the price of the security on a purchase date is provided by a user (col. 6, lines 45-67; col. 7, lines 1-47); the price of the security on a purchase date is obtained from a database (col. 6, lines 45-67; col. 7, lines 1-47; col. 16, lines 18-24); and the plurality of different securities include common stocks, mutual funds and closed end bond funds (col. 1, lines 16-67; col. 2, lines 1-45). In reference to claims 5-11, Brown discloses the methods wherein an investor may track a fund by using various types of capital events and acknowledges other embodiments and applications of such methods such as: the shares held adjustment ratio associated with each dividend reinvestment event stored in the database corresponds to a dividend amount issued per share at the time of each such dividend reinvestment event; the shares held adjustment ratio associated with each stock-split even stored in the database corresponds to a number of additional shares of a given security issued for each share of the given security held prior to such stock-split event; the shares held adjustment ratio associated with each merger event stored in the database corresponds to a number of shares of a security associated with a merged entity issued for each share associated with an issuer that merged into the merged entity; the shares held adjustment ratio associated with each spin-off event stored in the database corresponds to a number of shares of a security associated with a spun-off entity issued for each share associated with an issuer that divested the spun-off entity; the shares held adjustment ratio associated with a merger event stored in the database corresponds to a number of shares of a security associated with a merger

entity issued for each share associated with an issuer that merged with the merger entity; the list of capital events includes worthless security events; and the step of notifying a user of the worthless security event, the date of the worthless security event and the basis of the security at the time of the worthless security event (col. 4, lines 55-67; col. 5, lines 56- 67; col. 7-8; col. 9, lines 14-53).

7. In reference to claims 12-14, Brown discloses the steps of entering, into a computer system, information identifying an issuer associated with the security, a purchase date of the security, and a number of shares of the security purchased on the purchase date further comprises entering the information into the computer system via graphical user interface (col. 9, lines 14-60) and acknowledges other methods of entering the information such as via a spreadsheet interface or via a batch list (col. 12, lines 22-47). In reference to claims 15-16 and 26-29, Brown also teaches tracking funds using capital events or present market value information obtained via the Internet or other reliable source including: security delisting events, and notifying a user of the delisting event, the date of the delisting event, and the basis of the security of the delisting event; the step of determining whether a security has been relisted after a delisting event; the list of capital events further includes at least one rights issuance; when rights issuance is retrieved as a capital event for a security, notifying the user of the rights issuance, determining whether the rights have been exercised, when the rights have been exercised determining a basis allocation between the original security and a security acquired by exercise of the rights; the list of capital events further includes at least one warrants issuance; when a warrants issuance is retrieved as a capital event, notifying the user of the warrants issuance, determining whether the warrant has

been exercised and when the warrant has been exercised, determining a basis allocation between the original security and the interest acquired by exercise of the warrant (col. 4, lines 55-67; col. 5, lines 56-67; col. 7-8; col. 9, lines 14-53).

8. In reference to claims 17-22, Brown discloses: a database that stores the capital events for the plurality of the different securities in a first table, and the database stores price information for each of the plurality of securities in at least a second table; the database further stores security issuer information in a third table said security issuer information correlating identification changes in a security; for each capital event stored in the first table, the database includes fields corresponding to a name of a company associated with such capital event, a stock symbol associated with such capital event, a CUSIP number associated with such capital event, a date of such capital event, a type of such capital event, and a shares held adjustment ratio associated with such capital event (col. 5, lines 50-67; col. 9, lines 14-60). Additionally, Brown discloses capital events stored in a first table, the database further includes a field that stores a value correlating the stock symbol and the CUSIP number associated with such capital event; a value correlating the stock symbol and the CUSIP number uniquely identifies an issuer associated with a given security in the database as such issuer undergoes merger events, spin-off events and name change events; and each date for which price information is stored in the second table, the database stores a high price, a low price, an open price and a close price for each of the plurality of securities (col. 5, lines 50-67; col. 9, lines 14-60). In reference to claims 23-25, Brown discloses managing an investment portfolio comprising a plurality of securities which could include option securities and specifically: determining whether a security for which a present

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basis is to be determined is an option security, and where the security for which a present basis is sought is an option security, determining whether the option security was exercised; retrieving a shares held adjustment ratio and an exercise price for an option security from a database when it is determined that the option security was exercised, and determining from option security basis and the exercise price a basis in a security obtained by exercise of the option security; and the step of retrieving an expiration date from a database when it is determined that an option security has not been exercised of the option security, the date of such expiration, and the basis of the option securities held on the date of expiration.

9. In reference to claims 1-40, Brown does not explicitly disclose the following five steps.

However, Mutual Fund discloses:

- c. retrieving a list of capital events that occurred in connection with the security between the purchase date and sale date, wherein the list of capital events includes at least one event selected from the group consisting of a distribution reinvestment, a spin-off event, a merger event and a split event, and wherein the database stores past price per share information and capital events for a plurality of different securities associated with different issuers;
- d. retrieving shares held adjustment ratios, wherein the shares held adjustment ratios correspond to at least one of the capital events that occurred in connection with the security between the purchase date and the sale date;
- e. determining a current cost basis associated with the security by applying at least one shares held adjustment ratio to the initial basis of the security;

- f. if multiple shares held adjustment ratios were retrieved from the database, then assigning an intermediate cost basis equal to the current cost basis and adjusting the current cost basis by applying a further shares held adjustment ratio to the intermediate cost basis; and
- g. repeating the steps of assigning an intermediate cost basis equal to the current cost basis and adjusting the current cost basis until each further shares held adjustment ratio has been used to adjust the cost basis of the security, wherein each further shares held adjustment ratio has an event date associated therewith and is applied in a chronological order such that the shares held adjustment ratio associated with a latest event date is applied in a final iteration of the step of adjusting the current cost basis; and storing information relating to the current cost basis in a memory.

10. (Mutual Fund: all pages, especially page 3 "Reinvestment of Distributions"; page 4 "Keeping Track of Your Basis" and "Adjusted Basis"; page 6 "Cost Basis"; and Tables 2 and 3). It would have been obvious to one of ordinary skill in the art at the time of the Applicant's invention to modify the computer system of Brown which is used to determine the cost basis of securities with Mutual Fund's specific steps used to determine the cost basis of securities because the steps provide a clear picture to a user how to manually (or via a computer) evaluate the cost basis for a security making the system more user-friendly and efficient.

Mutual Fund does not disclose the specific 'adjustments' to the cost basis. However, Business Week discloses various examples of adjustments. (Business Week: page 1; ***"Underlying this analysis is the site's compulsive, automatic tracking of the cost basis of each of your shares – and even fractional shares – adjusted for splits, mergers, spin-offs, and other***

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*odd dividends.*" It would have been obvious to one of ordinary skill in the art at the time of the Applicant's invention to have modified the system of Brown and Mutual Fund (which determines the cost basis of securities using specific steps) with the adjustments detailed in Business Week because describing the adjustments give the user a clearer picture on how to use the system making the system more user friendly.

### ***Conclusion***

11. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure:

h. On-line Brokerage Business, **ESCHWAB.com,**

<http://web.mit.edu/ecom/Spring1997/gr6/pl-4.html>.

- i. "E.Schwab is Charles Schwab – an all-electronic trading subsidiary of Charles SCHWAB & Co... Mutual Fund Average Cost-Basis Report."
- i. **PC Portfolio Management: Quant IX helps users find undervalued stock, Biermann, Bruce; PC Magazine, v. 11, n. 10, p. 454, May 26, 1992.**
  - ii. "a current appraisal, an income report, and a summary of the cost basis of the securities."

12. Any inquiry concerning this communication or earlier communications from the examiner should be directed to Jocelyn Greimel whose telephone number is (571) 272-3734. The examiner can normally be reached on Monday - Friday 8:30 AM - 4:30 PM EST. If

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attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James Kramer can be reached on (571) 272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

13. Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

Jocelyn Greimel

Examiner, Art Unit 3693

January 25, 2007

*Jane + JKM 2/5/07*  
*James Kramer*